

Message Text

UNCLASSIFIED

PAGE 01 KUALA 00839 140058Z

14

ACTION EB-07

INFO OCT-01 EA-09 ISO-00 AID-05 CIAE-00 COME-00 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 /090 W

----- 085473

R 130829Z FEB 76

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 2469

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

AMEMBASSY TOKYO

UNCLAS KUALA LUMPUR 0839

E.O. 11652: N/A

TAGS: AFIN MY

SUBJ: STATUTORY RESERVES RATIO CUT TO BOOST BANK LENDING

1. SUMMARY. STATUTORY RESERVES RATIO REDUCED FROM SEVEN TO SIX PERCENT AS MOVE TO STIMULATE ECONOMY. INTEREST RATES ON SAVINGS AND LOANS REMAIN UNCHANGED. REQUIREMENT TO DIRECT 50 PERCENT OF NET INCREASE IN LOANS TO PRIORITY AREAS BEING MAINTAINED.
END SUMMARY.

2. BANK NEGARA (CENTRAL BANK) GOVERNOR TAN SRI ISMAIL BIN MOHD. ALI ANNOUNCED REDUCTION OF STATUTORY RESERVES RATIO (PERCENT OF TOTAL DEPOSITS OF BANKS WHICH HAS TO BE PLACED WITH BANK NEGARA WITHOUT INTEREST) FROM SEVEN PERCENT TO SIX PERCENT. TAN SRI ISMAIL SAID AIM IS TO STIMULATE GREATER FLOW OF BANK CREDIT IN DOMESTIC ECONOMY AND TO "PROD ALONG PICK-UP IN ECONOMY". HE SAID THESE NEW MEASURES ARE INTENDED TO COMPLEMENT GOM POLICY OF CONTINUING FISCAL EXPANSION TO BRING ABOUT SUSTAINED GROWTH OF DOMESTIC OUTPUT CONSISTENT WITH RELATIVE DOMESTIC PRICE
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 KUALA 00839 140058Z

STABILITY.

3. COMMERCIAL BANK LENDING INCREASED BY 16 PERCENT OR M\$893 MILLION (US\$1.00 EQUALS M\$2.50) AND SAVINGS UP 22 PERCENT IN 1965 DESPITE SLOWDOWN OF ECONOMIC ACTIVITY. INTEREST RATES ON SAVINGS REMAIN UNCHANGED AT BETWEEN 3.5 PERCENT TO 7.5 PERCENT FOR FIXED DEPOSITS OF ONE TO TWELVE MONTHS AND 5.5 PERCENT FOR SAVINGS DEPOSITS. ON LENDING SIDE PRIME RATE STAYS 8.5 PERCENT AND PREFERENTIAL AT 8 PERCENT.

4. TAN SRI ISMAIL SAID REQUIREMENT TO DIRECT AT LEAST HALF OF NET INCREASE IN TOTAL LOANS TO SPECIFIED AREAS WAS BEING MAINTAINED. PRIORITY AREAS ARE:

A. BUMIPUTRAS (INDIGENOUS MALAYS) -- INDIVIDUALS AND BUMIPUTRA CONTROLLED AGENCIES AND CORPORATIONS.

B. MANUFACTURING INDUSTRY, INCLUDING CREDIT FOR FOOD PRODUCTION.

C. HOME OWNERSHIP, INCLUDES LOANS TO INSTITUTIONS PROVIDING HOUSING LOANS.

D. SPECIALLY APPROVED LOANS SUCH AS FOR INDUSTRIAL CONSTRUCTION.

5. COMMENT. WE AGREE THAT GOM PROBABLY HAS INFLATION UNDER CONTROL AND MODERATE EXPANSION OF BANK CREDIT THIS TIME DESIRABLE AS STIMULUS TO ECONOMY. PRIVATE INVESTMENT, DOMESTIC AND FOREIGN, CONTINUES AT SLOW PACE, WITH EXPORT SECTOR OF ECONOMY, ESPECIALLY RUBBER, IMPROVING RAPIDLY. GOM WOULD LIKE TO SEE IMPROVEMENT PRIVATE INVESTMENT TO PERMIT EASING OF PACE AND CONSOLIDATION OF PUBLIC INVESTMENT, WHICH HAS EXPANDED GREATLY DURING PAST FIVE YEARS UNDER SECOND MALAYSIA PLAN, 1971-75.
UNDERHILL

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 13 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976KUALA00839
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760057-0316
From: KUALA LUMPUR
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760251/aaaabssv.tel
Line Count: 93
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: housmasa
Review Comment: n/a
Review Content Flags:
Review Date: 06 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 JUL 2004 by oatisao>; APPROVED <05 OCT 2004 by housmasa>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: STATUTORY RESERVES RATIO CUT TO BOOST BANK LENDING
TAGS: AFIN, MY
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006